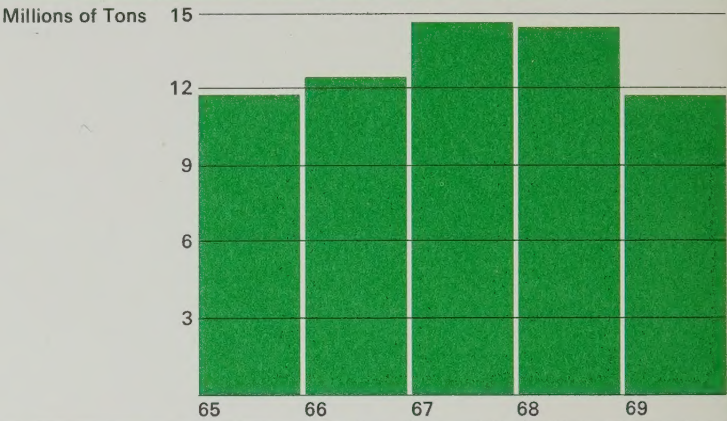


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**United Asbestos
Corporation Limited**
Annual Report 1969

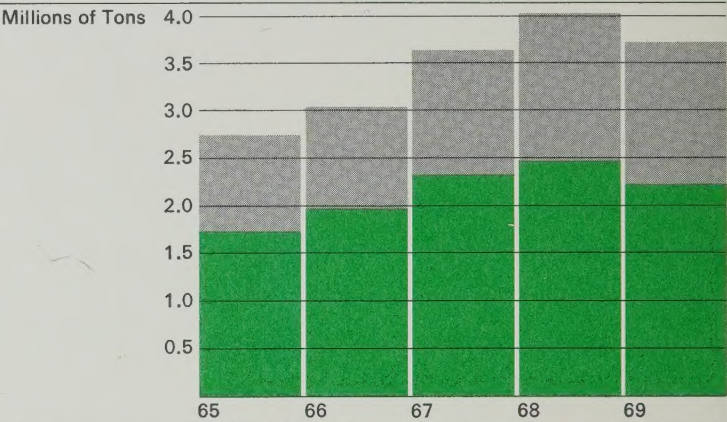


Tons Mined



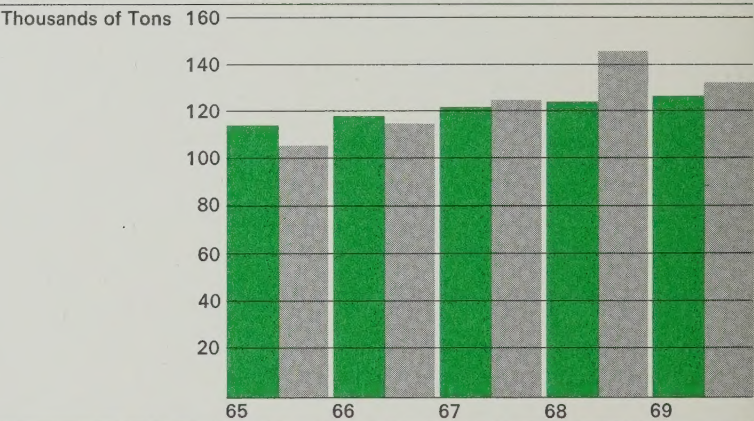
Tons Processed

Tons Rejected ■
Tons Milled ■

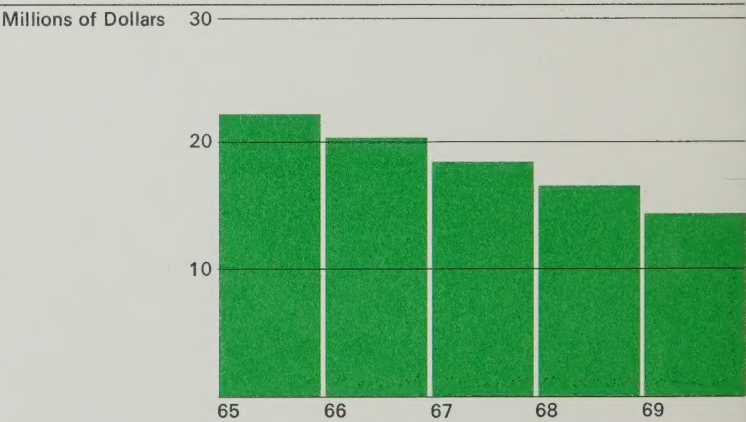


Fibre Produced and Shipped

Tons Produced ■
Tons Shipped ■



Capital Advances
Asarco



United Asbestos Corporation Limited

Directors

Richard F. Dooley, *Chicago, Ill.*
Gaston Elie, *Montreal, P.Q.*
Fred D. Jenkins, *Milwaukee, Wis.*
Philip M. Malouf, *Montreal, P.Q.*
Bartlett Pinkham, *New York, N.Y.*
J. M. Scrimgeour, *Montreal, P.Q.*
J. C. Shaw, *Montreal, P.Q.*

Officers

Philip M. Malouf, *President*
Richard F. Dooley, *Vice-President*
W. R. Salter, *Q.C., Secretary*
E. D. Hervey,
Treasurer and Assistant-Secretary

Head Office

*1155 Dorchester Boulevard West,
Montreal 102, P.Q.*

Transfer Agents and Registrars

Guaranty Trust Company of Canada
Toronto and Montreal
The Bank of New York, *New York, N.Y.*

To the Shareholders :

Your directors submit herewith the Annual Report of your company and its wholly owned subsidiary Detinu Holdings Limited for the year ending December 31st, 1969. Included in the report are audited financial statements. Net income for the year rose 46 percent to \$1,540,522 or \$0.31 per share compared to \$1,051,200 or \$0.21 per share for 1968. The table of Highlights outline the performance of your company for the past six years.

In 1969, the joint venture operation with Lake Asbestos of Quebec, Ltd., established new records for tonnage and value of fibre produced. Production of fibre amounted to 126,769 tons compared to 123,672 tons in 1968. The world-wide demand for fibre continued during the year and sales amounted to 132,631 tons. The Canadian asbestos industry is now under pressure to expand their operations to satisfy the demand for fibres. Asbestos fibre prices were increased by approximately 3 percent on January 1, 1970.

During the year pit development continued on schedule with company crews replacing the contractor. A new shovel and four 50-ton haulage units were added to the fleet. A total of 11,647,000 tons of material was hauled, this is a reduction of 2,781,000 tons over the previous year as the open pit expansion program nears its completion.

The mill treated 2,323,000 tons of ore after discarding 1,438,000 tons of waste during concentration. The mining of benches in the "B" orebody contributed to an increase in value of the fibre produced. This increase in fibre value will continue until the "B" orebody is fully developed.

Ore reserves were maintained during the year and at the present rate of extraction stand at some 20 to 25 years life. A limited program of diamond drill exploration was conducted during 1969.

The year 1969 witnessed an upturn in earnings due to the higher recovery rate and production value with lower production costs. Increased earnings are anticipated in succeeding years. Asbestos markets for 1970 are strong and the acceptance in the industry of extruded asbestos cement products has widened the market for the type of fibre produced by your company.

The sale of Transit Mixed Concrete and Builders Supply Limited was completed in 1969 and eliminates your company's equity interest in the concrete products industry.

In the exploration field your company relinquished its option on 18,700 acres of property in the Mont Laurier uranium area of Quebec due to inconclusive results. In Leman Township of the same area, encouragement was encountered and your company increased its interest and now holds an equal participation with Allied Mining Corporation in a block of claims covering some 2,500 acres. To date twenty-seven (27) diamond drill holes have indicated some 9.0 million tons of uranium bearing rock containing some 3.8 million pounds of uranium (U_3O_8) in a length of 2,000 feet. Exploration is continuing to complete the assessment of the 6,000 foot total strike length on the property. The uraniferous formations are within 100 feet of surface and side-hill topography may present an ideal situation for a low cost open pit operation. At current prices for yellow cake (U_3O_8) the above disclosure is not of economic value but may represent future uranium reserves.

Your company is continuing in an active way the investigation, exploration, and development of promising mineral properties.

Respectfully submitted,

On behalf of the Board,

PHILIP M. MALOUF
President.

March 10th, 1970.

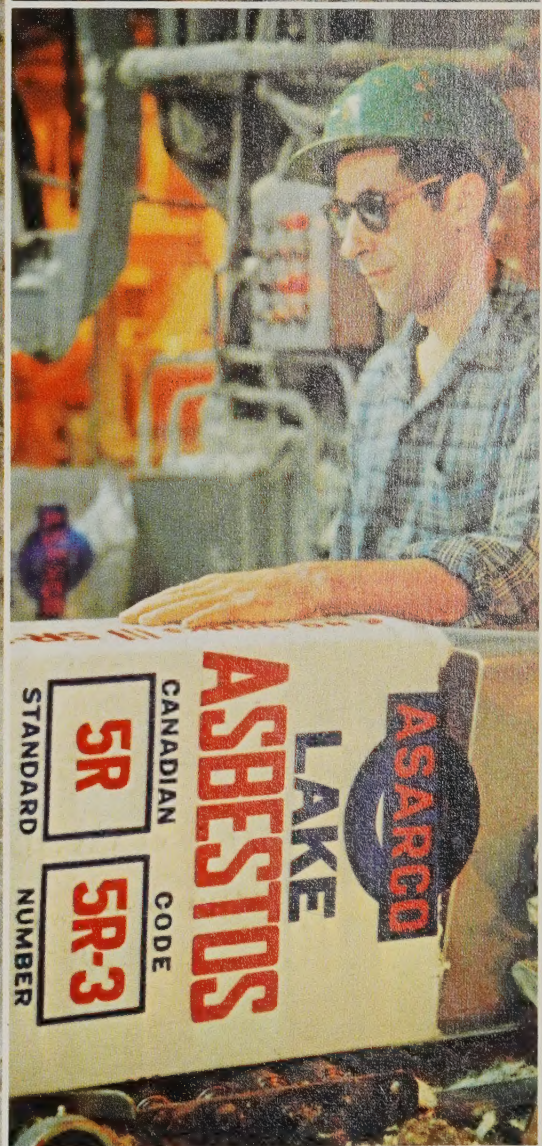


Highlights

	1969	1968*	1967	1966	1965	1964
	(In Thousands of Dollars)					
Net Assets or Shareholders' Equity	\$17,528	\$16,362	\$15,704	\$14,604	\$13,110	\$11,807
Retained Earnings	11,743	10,578	9,920	8,820	7,326	6,022
Working Capital	3,780	3,472	2,598	2,592	2,275	1,675
Net Profit to United from Joint Venture before Amortization	2,666	2,225	2,445	2,487	2,263	1,967
Amortization of Deferred Charges	951	1,045	943	937	921	983
Net Income for Year	1,541	1,051	1,474	1,514	1,304	899
Net Income per Share	\$0.31	\$0.21	\$0.30	\$0.31	\$0.26	\$0.18
Shareholders' Equity per Share	\$3.54	\$3.31	\$3.15	\$2.95	\$2.65	\$2.39

*Figures restated - see Note 9.





Consolidated Balance Sheet

December 31, 1969

(with comparative figures at December 31, 1968)

Assets

	1969	1968
<i>Current Assets</i>		
Cash	\$ 269,004	\$ 141,619
Funds on fixed short-term deposit	1,300,236	1,500,000
Short-term notes (quoted market value 1969, \$800,000 ; 1968, \$1,033,550)	800,000	1,034,987
Marketable securities, at cost (quoted market value 1969, \$1,067,968 ; 1968, \$412,190)	1,100,024	381,516
Accounts receivable	417,549	391,506
Accrued interest receivable	11,992	19,309
Principal due within one year on investments in other companies (note 5)	125,000	100,000
	<u>4,023,805</u>	<u>3,568,937</u>
<i>Deferred Accounts Receivable</i>		
Lake Asbestos of Quebec, Ltd.	79,127	39,595
Returnable deposits	1,425	1,425
	<u>80,552</u>	<u>41,020</u>
<i>Investments in Other Companies</i> (note 5)	<u>1,181,590</u>	<u>1,316,948</u>
<i>Deferred Charges to Operations</i>		
amortized value (notes 2, 4 and 6)		
Interest in preproduction expenditures, fixed assets and development costs at Black Lake property	11,920,661	10,917,519
Other deferred charges	547,120	579,616
	<u>12,467,781</u>	<u>11,497,135</u>
<i>Other Assets</i>		
Special refundable tax		9,350
Mining claims and interests (note 7)	17,467	25,006
	<u>17,467</u>	<u>34,356</u>
	<u>\$17,771,195</u>	<u>\$16,458,396</u>

Auditors' Report

To the Shareholders of
United Asbestos Corporation Limited
(No Personal Liability)

We have examined the consolidated balance sheet of United Asbestos Corporation Limited (No Personal Liability) and its wholly owned subsidiary company Detinu Holdings Limited as at December 31, 1969 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Liabilities

	1969	1968
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	\$ 61,634	\$ 73,067
Income taxes payable (note 8)	181,891	23,593
	<u>243,525</u>	<u>96,660</u>

Shareholders' Equity

<i>Capital Stock</i>		
Authorized		
6,000,000 shares of \$1 par value		
Issued		
4,949,133 shares	4,949,133	4,949,133
<i>Contributed Surplus</i>	835,097	835,097
<i>Retained Earnings</i>	11,743,440	10,577,506
	<u>17,527,670</u>	<u>16,361,736</u>
<i>Contingent Liability (note 10)</i>		
	<u>\$17,771,195</u>	<u>\$16,458,396</u>

Approved by the Board

Philip M. Malouf, Director
Richard F. Dooley, Director

Except that the provision for income taxes has not been determined on the tax allocation basis (see note 8), in our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving effect in that year to the change in accounting practice explained in note 3 to the financial statements, with which change we concur.

Thorne, Gunn, Helliwell & Christenson
Chartered Accountants, Montreal, Canada, February 12, 1970.

Consolidated Statement of Income

Year Ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
Net proceeds from joint venture, operation of Black Lake property	\$ 4,444,290	\$ 2,813,462
Add capital expenditures and deferred development deducted in arriving at net proceeds	886,938	1,636,268
Net profit of joint venture before amortization	5,331,228	4,449,730
Less share accruing to Lake Asbestos of Quebec, Ltd., 50% of net profit	2,665,614	2,224,865
Net profit to United Asbestos from operations of joint venture, before amortization	2,665,614	2,224,865
Interest and dividends earned	269,911	177,747
Profit on sale of securities	15,178	13,642
	2,950,703	2,416,254
Exploration and other property expenses (note 3)	87,697	97,220
Administration	200,192	216,419
	287,889	313,639
Income before undernoted items	2,662,814	2,102,615
Amortization of deferred charges (notes 4 and 6)	951,292	1,044,915
Income before income taxes	1,711,522	1,057,700
Income taxes (note 8)	171,000	6,500
Net Income for the Year	\$ 1,540,522	\$ 1,051,200
Net income per share	31.1¢	21.2¢

Consolidated Statement of Retained Earnings

Year Ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
Balance at beginning of year		
As previously reported	\$10,597,755	\$ 9,919,762
Adjustment of prior years' income taxes (note 9)	20,249	20,249
As restated	10,577,506	9,899,513
Net income for the year	1,540,522	1,051,200
	12,118,028	10,950,713
Dividend paid	374,588	373,207
Balance at End of Year	\$11,743,440	\$10,577,506

Consolidated Statement of Source and Application of Funds

Year Ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
<i>Source of Funds</i>		
Operations		
Net income for the year	\$ 1,540,522	\$ 1,051,200
Add items not involving current funds		
Amortization of deferred charges	951,292	1,044,915
Deferred exploration expenditures written off	25,006	26,237
Loss on sale of investments in other companies	3,184	
	2,520,004	2,122,352
Decrease (increase) in deferred account receivable from Lake Asbestos of Quebec, Ltd.	(39,532)	266,075
Decrease in deferred interest receivable		54,667
	2,480,472	2,443,094
Deduct deferred development and capital expenditures at Black Lake property	1,921,938	1,749,954
Total Funds Derived from Operations	558,534	693,140
Sale of investments in other companies	7,174	1,600,525
Principal due within one year on investments in other companies	125,000	100,000
Special refundable tax	9,350	10,505
	700,058	2,404,170
<i>Application of Funds</i>		
Acquisition of 7% debentures of Fermo Holdings Limited		1,113,690
Dividend paid	374,588	373,207
Exploration expenditures	17,467	22,411
	392,055	1,509,308
<i>Increase in Working Capital</i>	308,003	894,862
<i>Working Capital at Beginning of Year</i>		
As previously reported	3,492,526	2,597,664
Adjustment of prior years' income taxes (note 9)	20,249	20,249
As restated	3,472,277	2,577,415
<i>Working Capital at End of Year</i>	\$ 3,780,280	\$ 3,472,277

Notes to Consolidated Financial Statements

Year Ended December 31, 1969

1. Joint Venture with Lake Asbestos of Quebec, Ltd.

Under an agreement dated September 17, 1952 and the supplemental agreement thereto between United Asbestos Corporation Limited and Lake Asbestos of Quebec, Ltd., referred to therein as Asarco, to which American Smelting & Refining Company is also a party, Asarco undertook to equip and operate the company's property at Black Lake, Quebec, and the agreement sets out the basis for the distribution of net proceeds of operations as defined therein. In general, until such time as the respective companies shall have received a share of the net proceeds equal to their respective preproduction and other expenditures referred to in the agreement, 75% of the net proceeds is to be distributed between them in the proportion that their respective preproduction and other expenditures bear to the total of such expenditures of both companies. The remaining 25% of net proceeds of operations is distributed on a different formula which also applies to the distribution of 100% of the net proceeds of operations after the respective companies have received a portion of net proceeds equal to their total preproduction and other expenditures as referred to above. Under this latter formula United is to receive 60% of the net proceeds if the net proceeds per ton of ore milled in any fiscal year exceed \$5 and a lesser proportion if the net proceeds per ton of ore milled are less than \$5, but in no case is United to receive less than 50% of the net proceeds.

The preproduction and other expenditures incurred by Lake Asbestos of Quebec, Ltd., as referred to above, are reported by that company to amount to \$14,002,309 as at December 31, 1969, after deducting amounts recovered, according to the terms of the agreement, to that date. The corresponding figure at December 31, 1968 was \$16,519,583, having been reduced by net recoveries of \$2,517,274 by Lake Asbestos during 1969, \$3,145,078 recovered from production of asbestos less capital expenditures of \$627,804.

During 1969 the net proceeds per ton of ore milled were such that United's proportion of net proceeds was 50% before providing for reimbursement to Lake Asbestos of its proportion of preproduction and other expenditures.

2. Accounting Presentation of Interest in Joint Venture

The consolidated financial statements reflect the following:

- (a) the capitalizing of United Asbestos' interest in certain fixed assets which by agreement are charged against United's share of net proceeds
- (b) the capitalizing of amounts contributed by United Asbestos, out of its share of net proceeds, to the fixed assets and preproduction expenditures of the Black Lake project originally paid for by Lake Asbestos of Quebec, Ltd.
- (c) the deferment of certain stripping and dredging costs which have been charged by Lake Asbestos against current operations of the respective years in which they were incurred, the benefits of which will, however, in the opinion of the directors of United, accrue over the life of the mine.

3. Change in Accounting Practice

Exploration expenditures written off on abandonment of option in 1968 were charged to retained earnings. In 1969 such expenditures have been charged to income and the comparative figures for 1968 have been restated accordingly.

4. Amortization Policy

Amortization charges have been provided in the statement of income in respect of those items capitalized and deferred as described above, based on the estimated life of the mining operations.

The amortization policy is based on projections derived from figures made available to the company by Lake Asbestos of Quebec, Ltd., as to ore reserves and future operating capacity. The company's engineers have placed their own interpretation, which is believed to be reasonable and conservative, upon these figures.

Preproduction expenditures and deferred stripping and dredging costs are being amortized on the basis of tons of fibre shipped. Capital expenditures charged against United's share of net proceeds are amortized on a straight line basis over the estimated average life of the assets.

5. Investments in Other Companies

	1969	1968
Transit Mixed Concrete & Builders Supply Limited, formerly a wholly owned subsidiary of Detinu Holdings Limited:		
Note receivable, non-interest bearing, payable \$25,000 annually commencing December 15, 1970, in part settlement of the 5¼% demand note receivable	\$ 100,000	
5¼% demand note receivable		\$ 157,974
1,929 preference shares, at cost, of which 579 shares were acquired in 1969 in part settlement of the 5¼% note receivable	192,900	135,000
50,000 common shares, at cost		10,284
	292,900	303,258
Fermo Holdings Limited:		
7% debentures, payable \$100,000 annually, maturing December 31, 1973	1,013,690	1,113,690
	1,306,590	1,416,948
Less principal included in current assets	125,000	100,000
	<u>\$1,181,590</u>	<u>\$1,316,948</u>

Interest on the 5¼% demand note receivable has been waived both for 1969 and 1968.

During the year Detinu Holdings Limited sold for \$7,100 the common shares of its wholly owned subsidiary, Transit Mixed Concrete & Builders Supply Limited. The purchaser has guaranteed payment of the note receivable of \$100,000 and has covenanted to obtain by July 31, 1970 the release of the guarantee and securities (see note 10) pledged by United Asbestos Corporation Limited to Transit Mixed Concrete's bankers, pending which release the transfer of 25,000 common shares has been withheld.

The investments in other companies are without quoted market value.

The value of the investment in Transit Mixed Concrete is dependent upon improved operating results expected to accrue under new management of that company which commenced in October, 1969.

The debentures of Fermo Holdings Limited are secured as to \$555,109 by shares of General Concrete Limited and affiliated companies, and as to \$458,581 by demand notes and mortgages of General Concrete Limited the aggregate principal amount of which is \$425,441. This security will be released when \$400,000 of the total indebtedness of \$1,013,690 has been paid.

6. Deferred Charges to Operations

This balance consists of the following:

	Balance at beginning of year	Additions for year	Amortization for year	Balance at end of year
Interest in preproduction expenditures, fixed assets and development costs at Black Lake Property:				
Fixed assets charged against net proceeds (note 2)	\$ 836,117	\$ 145,049	\$160,567	\$ 820,599
Amounts contributed to fixed assets and preproduction expenditures originally paid for by Lake Asbestos	3,107,648	1,478,469	636,662	3,949,455
Stripping costs	4,805,403	298,420		5,103,823
Dredging costs	758,845		42,544	716,301
United Asbestos' preproduction expenditures recoverable out of net proceeds	1,409,506		79,023	1,330,483
	10,917,519	1,921,938	918,796	11,920,661
Other deferred charges:				
Administrative and other expenses of preproduction period	579,616		32,496	547,120
	<u>\$11,497,135</u>	<u>\$1,921,938</u>	<u>\$951,292</u>	<u>\$12,467,781</u>

Notes to Consolidated
Financial Statements

Year Ended December 31, 1969
(Cont'd)

7. Mining Claims and Interests

Township of Leman, District of Montcalm, Quebec	
25 claims held under development licenses, in which Allied Mining Corporation has an equal interest, and a 30% interest in 39 additional claims held by Allied Mining Corporation	
Exploration expenditures to date	\$17,203
Township of Joliette 50, District of Joliette, Quebec	
30% interest in 54 claims held by Allied Mining Corporation	
Exploration expenditures to date	264
	<u>\$17,467</u>

During the year, United Asbestos Corporation Limited abandoned its interest in claims and options in the Townships of Saguenay, Dumas, Lytton and Joliette 60, Quebec. Exploration expenditures during 1969 amounted to \$39,940, of which \$22,473 has been charged to income.

8. Income Taxes

The companies claim deductions for income tax purposes in excess of related amounts reflected in the accounts, and provide in the accounts only for the taxes payable on taxable income for the year. This accounting treatment differs from the tax allocation basis under which the income tax provision is based on income reported in the accounts. If the tax allocation basis had been followed in current and prior years, net income for the year would have been reduced by \$415,344 (\$364,245 in 1968) and the cumulative amount of deferred tax credits to December 31, 1969 would have been \$4,256,000.

9. Adjustment of prior years' Income Taxes

During 1969, Detinu Holdings Limited was re-assessed for income taxes for the years 1964 to 1967. Accordingly, comparative figures for 1968 in the accompanying financial statements have been restated from amounts previously reported to reflect the charge of \$20,249 for additional income taxes settled in 1969. As this amount relates to years prior to 1968, it has been deducted from consolidated retained earnings at January 1, 1968.

10. Contingent Liability

United Asbestos Corporation Limited has guaranteed a bank loan to Transit Mixed Concrete & Builders Supply Limited (see note 5) in the amount of \$170,500 and has pledged as collateral therefor certain of its marketable securities. This guarantee has a maximum limit of \$250,000.

